

Message Text

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ACTION TRSE-00

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R 051830Z JUN 74

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 1871

LIMITED OFFICIAL USE NEW DELHI 7468

E.O. 11652: N/A

TAGS: EFIN, IN

SUBJECT: 104(J) CONVERSIONS

REF: (A) STATE 57634 (B) NEW DELHI 2600 (C) STATE 84837

1. REFTEL (A) REQUESTED EMBASSY TO SEEK TO SECURE GOI AGREE-
MENT TO HAVE 104(J) SALES TO US TOURISTS CONTINUE FOR THE LIFE
OF THE RUPEE AGREEMENT WITHOUT COUNTING THIS AGAINST ANNUAL DOLS 6.4
MILLION CONVERSION PAYMENT DUE EACH JULY 1. REFTEL ALSO EXPRESSED
HOPE THAT ALL 104(J) CONVERSION TRANSACTIONS WOULD BE CONTINUED
FROM TRANSITION ACCOUNT UNTIL JUNE 30.

2. EMBASSY MADE REQUEST TO GOI CONCERNING 104(J) SALES TO
AMERICAN TOURISTS ON FEBRUARY 28. IN A LETTER DATED MARCH 12
THE GOI REJECTED OUR DE MINIMIS ARGUMENT BUT STATED THAT:
"WE WOULD, HOWEVER, HAVE NO OBJECTION TO THE US EMBASSY CONTINUING
TO SELL RUPEES TO TOURISTS, PROVIDED THE TOTAL AMOUNT OF CONVERSION
DURING ANY FISCAL YEAR INCLUDING THE DOLLAR RECEIPTS THROUGH
SALE OF RUPEES DO NOT EXCEED DOLS 6.4 MILLION." THE CLEAR
IMPLICATION FROM GOI (JOINT SECRETARY S. KRISHNASWAMI, DEPARTMENT
OF ECONOMIC AFFAIRS, MINISTRY OF FINANCE) IS THAT IF 104(J)
IFILES TO AMERICAN TOURISTS SHOULD BE SUBTRACTED FROM ANNUAL DOLS 6.4
MILLION CONVERSION PAYMENT, SO SHOULD ANY OTHER 104(J) CONVERSIONS
EFFECTED SINCE THE DATE OF THE RUPEE AGREEMENT.

3. ALL TYPES OF 104(J) CONVERSIONS WERE MADE DURING PERIOD
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FEBRUARY 18, 1974 THROUGH MARCH 15, 1974. ON MARCH 15, 1974

104(J) SALES TO US FOUNDATIONS AND FIRMS IN INDIA WERE DISCONTINUED. EMBASSY DECIDED TO CONTINUE 104(J) SALES TO US CITIZENS IN INDIA. AS STATED IN REF (C), ALL 104(J) WASHINGTON SALES TO US FIRMS WERE DISCONTINUED AS OF APRIL 25, 1974. THUS, AS OF APRIL 26, 1974 THE ONLY TYPES OF 104(J) SALES REMAINING WERE THOSE TO US TOURISTS VISITING INDIA AND US CITIZENS RESIDING IN INDIA. THIS IS THE WAY IT STANDS TODAY.

4. WE PROPOSE TO CONTINUE 104(J) SALES TO BOTH US TOURISTS AND CITIZENS THROUGH JUNE 30, 1974 (AND FOR EACH OF FOLLOWING NINE YEARS), DEDUCTING THE TOTAL AMOUNT OF ALL 104(J) CONVERSIONS BETWEEN FEBRUARY 18, 1974 AND JUNE 30, 1974 FROM THE DOLS 48.4

MILLION TOTAL REQUESTED TO BE PAID BY THE GOI ON THE FIRST BUSINESS DAY IN JULY, 1974 (AND MAKING SIMILAR DEDUCTIONS FOR EACH OF NEXT NINE YEARS). (FYI 104(J) SALES TO AMERICAN CITIZENS IN INDIA WERE DOLS 363,000 IN CY 1973 AND SALES TO TOURISTS WERE DOLS 87,000.

5. ACTION REQUESTED: (A) WASHINGTON INSTRUCTIONS ON MECHANICS OF EFFECTING CONVERSION PAYMENT DUE JULY 1, 1974; (B) NEA/L DRAFT LETTERS TO BE EXCHANGED WITH GOI TO AMEND FEBRUARY 18, 1974 RUPEE AGREEMENT TO PROVIDE FOR YEAR-BY-YEAR SUBTRACTION OF ANY 104(J) CONVERSIONS MADE DURING THE TEN-YEAR CONVERSION PERIOD FROM THE DOLS 6.4 MILLION OTHERWISE TO BE CONVERTED FOR EACH SUCH YEAR.
SCHNEIDER

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